

# Ralston Purina Fourth Quarter Earnings Per Share Increase 17 Percent

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Ralston Purina Company today announced fourth quarter earnings from continuing operations before unusual items of \$79,800,000 compared to pro forma earnings from continuing operations before unusual items of \$73,600,000 in the prior year. Earnings increased primarily on higher operating earnings. Earnings per share from continuing operations before unusual items were \$.28 on a basic and diluted basis, compared to pro forma earnings per share from continuing operations before unusual items of \$.24 a year ago, an increase of 17 percent. Pro forma comparisons are necessary because Ralston spun off its Battery Products business on April 1, 2000. Fourth quarter sales were \$675,900,000 compared to \$682,900,000 in the prior year fourth quarter.

For the current fiscal year ended September 30, 2000, sales and pro forma earnings from continuing operations before unusual items were \$2,763,300,000 and \$313,000,000, respectively, compared to sales and pro forma earnings from continuing operations before unusual items of \$2,689,700,000 and \$287,500,000 in the prior year. The earnings improvement for the year resulted primarily from higher profitability in all three operating segments, North American Pet Foods, International Pet Foods and Golden Products. The increase from operations was partially offset by lower equity earnings from the Company's investment in Interstate Bakeries Corporation (IBC). Pro forma earnings per share from continuing operations before unusual items were \$1.09 and \$1.08 on a basic and diluted basis, respectively, compared to \$.92 and \$.91 last year, an increase of 19 percent.

## Segment Results

Sales for North American Pet Foods decreased 5 percent in the quarter and were flat for the year. In the quarter, sales declined on lower volumes resulting primarily from the current competitive environment and the elimination of lower-margin SKUs. In the year, a favorable product mix resulted in increased branded pet food sales, which were offset by the discontinuance of lower-margin SKUs.

Profitability for this segment increased 8 percent in the quarter as decreased sales were more than offset by lower advertising and promotion expense. In the year, profitability increased 9 percent primarily on lower ingredient costs and improved product mix.

International Pet Foods' sales increased 13 percent in the quarter and 9 percent for the year. Volume increased significantly in both periods with strong performance in all regions, partially offset by unfavorable foreign exchange.

Profitability for this segment increased 4 percent in the quarter and 15 percent for the year on increased sales that were partially offset by increased advertising and promotion expenses

and expenses associated with expansion into the Asian market. The current year also benefited from a one-time adjustment in the prior year.

Sales for Golden Products increased 9 percent in the quarter and 16 percent for the year. In the quarter, the increase was driven by new products introduced in the third quarter. For the year, the increase was primarily due to significant volume increases in scooping litter and new product introductions.

Profitability for Golden Products decreased 8 percent in the quarter as increased sales were more than offset by increased advertising and promotion expenses, primarily related to new products, and higher product costs. In the year, profitability increased 8 percent due to the sales increase, partially offset by increased advertising and promotion expenses and higher product costs.

### Net Earnings

Net earnings for the fourth quarter of \$83,500,000, or \$.29 per basic and diluted share, include several unusual items which increased net earnings by \$3.7 million. These unusual items include: an after-tax loss of \$16.7 million, or \$.06 per basic and diluted share, representing the final market value adjustment of the Company's Stock Appreciation Income Linked Securities (SAILS); an after-tax gain on the sale of a portion of the Company's investment in IBC common stock of \$23.8 million, or \$.08 per basic and diluted share; and an after-tax loss of \$3.4 million, or \$.01 per basic and diluted share, on the sale of a portion of the Company's investment in Conoco, Inc. (Conoco) B common stock.

Prior year fourth quarter net earnings of \$163,900,000, or \$.54 and \$.53 per basic and diluted share, respectively, also included several unusual items which increased net earnings by \$51.0 million. Unusual items in the prior year quarter included: an unrealized after-tax loss of \$5.6 million, representing a SAILS market value adjustment; an after-tax gain of \$14.4 million on the sale of a portion of the Company's investment in E. I. du Pont de Nemours and Company (DuPont) common stock; an after-tax gain of \$32.2 million on the conversion of a portion of the Company's investment in DuPont common stock to Conoco B common stock; and capital loss tax benefits totaling \$10.0 million, primarily associated with past restructuring actions. Net earnings also included net earnings from discontinued operations of \$41.6 million.

Net earnings for the current year of \$530,400,000, or \$1.84 and \$1.82 per basic and diluted share, respectively, include several unusual items which increased net earnings by \$131.2 million, or \$.45 per basic and diluted share. These items include: an after-tax gain of \$72.6 million, or \$.25 per basic and diluted share, representing a SAILS market value adjustment; the aforementioned after-tax gain of \$23.8 million, or \$.08 per basic and diluted share, on the sale of IBC common stock; an after-tax gain of \$7.1 million, or \$.02 per basic and diluted share, on the sale of a portion of the Company's investment in DuPont common stock; the aforementioned after-tax loss of \$3.4 million, or \$.01 per basic and diluted share, on the sale of Conoco B common stock; and capital loss tax benefits totaling \$31.1 million, or \$.11 per basic and diluted share, related to the sale and reorganization of two of the Company's

subsidiaries. Net earnings also include net earnings from discontinued operations of \$93.9 million.

Net earnings for the prior year of \$505,100,000, or \$1.63 and \$1.60 per basic and diluted share, respectively, included several unusual items, which increased net earnings by \$147.2 million. These items included: an after-tax restructuring reserve reversal of \$3.2 million; an unrealized after-tax gain of \$79.0 million representing a SAILS market value adjustment; an after-tax gain of \$22.8 million on the sale of DuPont common stock; a \$32.2 million after-tax gain on the conversion of a portion of the Company's investment in DuPont common stock to Conoco B common stock; and capital loss tax benefits totaling \$10.0 million primarily associated with past restructuring actions. Net earnings also included net earnings from discontinued operations of \$85.2 million.

Statements in this press release that are not historical are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The Company cautions readers not to place undue reliance on any forward-looking statements, which speak only as of the date made. The Company advises readers to review the various risks and uncertainties which may be detailed from time to time in the Company's publicly-filed documents, including its Annual Report on Form 10-K for the period ended September 30, 1999.

SOURCE: Ralston Purina

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